

1999 REVENUE REVIEW

In 1999, 92.7 percent of all tax revenue collected by the State of Nebraska was collected by the Nebraska Department of Revenue. Tax collections for the year were \$2,749 million, an increase of \$191 million or 7.5 percent above 1998. The receipts from permits, fees, and licenses collected by the department were \$730 thousand, a decrease of 33.6 percent from the previous year.

Three-quarters of the department's net tax receipts in 1999 were from state sales tax and income taxes. Net individual income tax receipts increased

\$109 million to \$1.1 billion in 1999, an increase of 11 percent from 1998. Net receipts from corporation income tax were \$130.7 million in 1998, down \$12.9 million or 9 percent from 1998. Net state sales and use tax receipts for 1999 totaled \$820.3 million, an increase of \$50 million or 6.5 percent above 1998. Sales tax receipts included \$120 million of sales tax on motor vehicles.

The largest share of tax revenue is deposited in the State General Fund. General Fund revenue sources accounted for 76.8 percent of the total revenue collected by the Department of Revenue in 1999. Sales and income taxes are the primary sources of General Fund revenue.

Motor fuels taxes and sales tax on motor vehicles are deposited in state highway funds. Revenue deposited in the Highway Trust Fund, Highway Allocation Fund, and the Highway Cash Fund accounted for 13.4 percent of revenue collections.

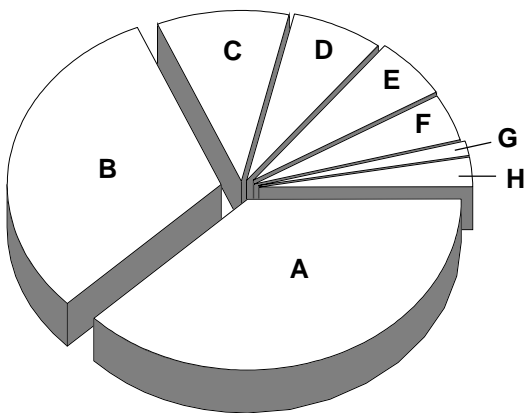
In 1999, 7.5 percent of revenue collections were distributed to local governments. City sales tax and county lodging tax are collected by the Nebraska Department of Revenue and distributed directly to cities and counties.

Revenue deposited in other governmental funds accounted for the remaining 2.3 percent of collections.

The major state revenue sources are described beginning on page 7. The descriptions include the basis and current tax rate, due dates of reports and payments, administering agencies or officials, and the manner of distribution of each tax or fee.

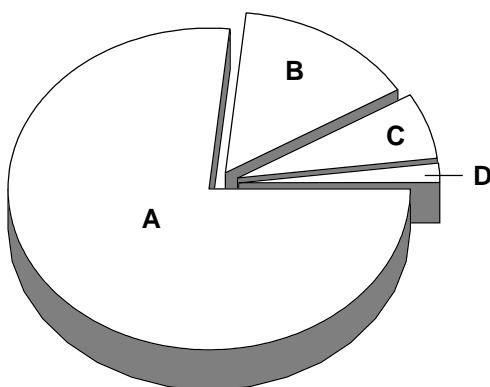
Sources of Revenue

A	Individual Income Tax	40.3%
B	State Sales and Use Tax	29.8%
C	Motor Fuels Taxes	9.1%
D	City Sales Tax	7.5%
E	Corporation Income Tax	4.8%
F	Sales Tax on Motor Vehicles	4.4%
G	Cigarette Tax	1.6%
H	Other Collections	2.6%



Distribution of Revenue

A	General Fund	76.8%
B	Highway and Road Funds*	13.4%
C	Local Governments	7.5%
D	Other Funds	2.3%



* Includes the Highway Trust Fund, Highway Allocation Fund, and Highway Cash Fund

1999 Revenue Legislation

The following is a summary of the major legislation passed by the 1999 Legislature that relates to taxes collected by the Nebraska Department of Revenue.

Sales Tax

Prepaid Phone Cards (LB 214). The retail sale of prepaid telephone calling cards and other prepaid telephone calling arrangements are now taxable. Retailers are required to collect applicable state and city sales tax on sales or recharges made at place of business. Sales tax is also to be collected based on customer's shipping or billing address for purchases not taking place on retailer's premises. Operative October 1, 1999.

Natural Resource District Exemption (LB 232). Purchases made by Natural Resource Districts are exempt from sales and use taxes. Operative October 1, 1999.

Mobility Enhancing Equipment Exemption (LB 280). The retail sales of mobility enhancing equipment for use in either a home or motor vehicle is exempt from sales and use tax under certain conditions including a prescription by a Nebraska-licensed physician. Operative October 1, 1999.

Income Tax

Beginning Farmer Tax Credit Act (LB 630). Beginning in 2001, the owner of agricultural assets which are rented to a qualifying beginning farmer or livestock producer is allowed a refundable income tax credit equal to 5 percent of the gross rental income. The credit is computed on any share-rental agreements including cash rent of an agricultural asset or cash equivalent of a share-crop rental. The credit is effective for all taxable years beginning January 1, 2001.

Homestead Exemption

Homestead Relief Expanded (LB 179). Provisions for the homestead exemption were changed for applications filed in 2000. Income eligibility levels were increased for all categories of claimants (approximately 24.5 percent for married claimants and 24 percent for single claimants) and will be inflation-adjusted annually beginning with applications filed in 2001. For disabled individuals, the definition of "disabled" was changed to include any permanent physical disability that precludes locomotion without the use of mechanical aid or prostheses; or a disability of both arms in excess of 75 percent. Operative as of January 1, 2000.

Miscellaneous Taxes

Waste Reduction and Recycling Fee (LB 59). The threshold for payment of Waste Reduction and Recycling Fee was increased from \$30,000 to \$50,000 and is imposed on each business location. The fee of \$25 is due when the retail sales of tangible personal property at a business location are at least \$50,000. The new provisions apply for reporting periods beginning on July 1, 1999.

Employment Incentives (LB 539). Provisions of the Employment Expansion and Investment Incentive Act (LB 270) and the Employment and Investment Growth Act (LB 775) were changed to allow leased employees to qualify for purposes of claiming credits under these Acts. Temporary employees are not included as leased employees for purposes of claiming the credits. Operative for credits earned in tax years beginning on or after January 1, 1999.

State Purchasing Card (LB 113). State agencies or other political subdivisions are authorized to implement a purchasing card program for goods and services purchased on behalf of the State. Details of the program, including the exemption for purchases made with the card, will be made available to vendors as the program is developed. Effective May 26, 1999.

Motor Fuels

Motor Fuels Tax Changed (LB 143). Several provisions relating to the motor fuels tax were changed. Undyed diesel fuel will be taxed in the same manner as gasoline; upon receipt of the fuel as opposed to on the sale of the fuel. To bring tax-free inventories of undyed diesel fuel into compliance, a floor-stock tax will be imposed upon the dealers' inventory on December 31, 1999. Operative January 1, 2000.

Ethanol Production Credit (LB 605). The production credit for ethanol has been extended to December 31, 2003. The current incentive credit of 20 cents per gallon will be reduced to 7.5 cents per gallon beginning January 1, 2001. Effective August 28, 1999.

Charitable Gaming

New Pickle Card (LB 658). This bill authorizes a new type of pickle card commonly referred to as a "bingo event ticket." This type of pickle card game will be unique from all other pickle card games in that it can only be sold at a licensed bingo occasion. Effective July 13, 1999.

Charitable Gaming Changes (LB 1086). Highlights of modifications to current gaming practices include the following: Licensed organizations may now conduct limited period bingo for twelve days rather than seven; qualified non-profits are permitted to sell lottery and raffle tickets at state, district, and county fairs; gaming licenses may be cancelled, suspended or revoked for failure to pay taxes, and; biennial licensing of gaming applicants rather than annual licensing is now required commencing on October 1, 2001. Effective July 13, 1999.

Tax Revenue Distributions (LB 659). Currently, 40 percent of charitable gaming tax revenue is set aside for use by the Charitable Gaming Division to regulate and enforce gaming laws. The unused portion lapses into the General Fund along with the remaining sixty percent of tax revenue. Under LB 659, any portion of the forty percent not used by the division is transferred to the Compulsive Gamblers Assistance Fund which is supplemented by additional monies from the State Lottery. Effective July 13, 1999.